

104TH CONGRESS
2D SESSION

H. R. 3446

To amend the Clean Air Act and certain other environmental laws to provide regulatory relief and preserve jobs, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 10, 1996

Mr. STOCKMAN introduced the following bill; which was referred to the Committee on Commerce, and in addition to the Committee on Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Clean Air Act and certain other environmental laws to provide regulatory relief and preserve jobs, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Regulatory Relief and Job Preservation Act of 1996”.

6 (b) TABLE OF CONTENTS.—The table of contents of
7 this Act is as follows:

Sec. 1. Short title; table of contents.

TITLE I—AMENDMENTS OF THE CLEAN AIR ACT

- Sec. 101. Enhanced monitoring repeal.
- Sec. 102. Reformulated gasoline flexibility.
- Sec. 103. Reform of State operating permit procedures.
- Sec. 104. Ozone-depleting compounds production and use amendments.
- Sec. 105. Mact standards.
- Sec. 106. Motor vehicle inspection and maintenance.
- Sec. 107. Attainment date for moderate ozone nonattainment areas.
- Sec. 108. Ozone exceedences in nonattainment areas.
- Sec. 109. Redesignation of attainment areas.

TITLE II—ENVIRONMENTAL SELF-AUDITS

- Sec. 201. Voluntary environmental self-audits.

TITLE III—REGULATION OF CHLORINE COMPOUND PRODUCTION

- Sec. 301. Broad banning of chlorine compounds prohibited.

TITLE IV—AMENDMENT OF THE SOLID WASTE DISPOSAL ACT

- Sec. 401. Recycling of certain materials as manufacturing feedstocks.

TITLE V—AMENDMENT OF THE INTERNAL REVENUE CODE OF
1986

- Sec. 501. Intangible drilling costs include geological and geophysical costs.
- Sec. 502. Expanded definition of marginal production.
- Sec. 503. Tax relief for marginal domestic oil and gas production.
- Sec. 504. Repeal of annual increase in tax on ozone-depleting chemicals.
- Sec. 505. Reduction in rate of tax on certain reformulated gasoline.

1 **TITLE I—AMENDMENTS OF THE**

2 **CLEAN AIR ACT**

3 **SEC. 101. ENHANCED MONITORING REPEAL.**

4 Section 114(a)(3) of the Clean Air Act (relating to
5 enhanced monitoring) is repealed.

6 **SEC. 102. REFORMULATED GASOLINE FLEXIBILITY.**

7 Section 211(k)(3)(A)(v) of the Clean Air Act is
8 amended to read as follows:

9 “(v) The Administrator may not specify a minimum
10 level or percentage by weight of oxygen content for refor-
11 mulated gasoline, and any such minimum percentage con-

1 tained in any regulation promulgated before the enact-
 2 ment of the Regulatory Relief and Job Preservation Act
 3 of 1996 shall cease to have any force and effect upon the
 4 enactment of this Act.”.

5 **SEC. 103. REFORM OF STATE OPERATING PERMIT PROCE-**
 6 **DURES.**

7 States with an interim Operating Permits Program
 8 under the Clean Air Act which has been submitted to the
 9 Environmental Protection Agency shall not be required to
 10 implement an Environmental Protection Agency-run per-
 11 mit program under regulations of the Administrator solely
 12 because the States have not yet received approval of their
 13 own program. Until final Environmental Protection Agen-
 14 cy approval or disapproval is received, the interim State
 15 program shall prevail.

16 **SEC. 104. OZONE-DEPLETING COMPOUNDS PRODUCTION**
 17 **AND USE AMENDMENTS.**

18 (a) FIRE SUPPRESSION EQUIPMENT.—Section
 19 610(d)(1)(A) of the Clean Air Act is amended by inserting
 20 after class II substance the following: “(other than com-
 21 mercial fire suppression equipment containing class II
 22 substances).”.

23 (b) LABELING.—Subsections (c), (d), and (e) of sec-
 24 tion 611 of the Clean Air Act are repealed.

1 **SEC. 105. MACT STANDARDS.**

2 (a) BASIC STANDARD.—Section 112(d)(2) of the
3 Clean Air Act is amended by adding the following at the
4 end thereof: “For each emissions standard promulgated
5 or revised under this subsection after the date of the en-
6 actment of the Energy and Petrochemical Relief and Job
7 Preservation Act of 1996, the Administrator shall provide
8 a benefit-cost analysis. No emissions standard promul-
9 gated or revised under this subsection after such date shall
10 be established at a level of at which the incremental costs
11 of compliance with the standard exceeds the incremental
12 benefits of such compliance. For all hazardous air pollut-
13 ants for which standards were promulgated after the en-
14 actment of the Clean Air Act Amendments of 1990, the
15 Administrator shall revise such standards as promptly as
16 practicable after the date of enactment of the Energy and
17 Petrochemical Relief and Job Preservation Act of 1996
18 to conform to the amendments made to this subsection
19 by the Energy and Petrochemical Relief and Job Preserva-
20 tion Act of 1996, the Administrator shall provide a bene-
21 fit-cost analysis.”.

22 (b) RESIDUAL RISK.—Section 112(f)(2) of the Clean
23 Air Act is amended by adding the following at the end
24 thereof:

25 “(D) For each emissions standard promulgated
26 or revised under this subsection after the date of the

1 enactment of the Energy and Petrochemical Relief
2 and Job Preservation Act of 1996, the Adminis-
3 trator shall provide a benefit-cost analysis. No emis-
4 sions standard promulgated or revised under this
5 subsection after such date shall be established at a
6 level of at which the incremental costs of compliance
7 with the standard exceeds the incremental benefits
8 of such compliance.”. For all hazardous air pollut-
9 ants for which standards were promulgated after the
10 enactment of the Clean Air Act Amendments of
11 1990, the Administrator shall revise such standards
12 as promptly as practicable after the date of enact-
13 ment of the Energy and Petrochemical Relief and
14 Job Preservation Act of 1996 to conform to the pro-
15 visions of this section in effect immediately prior to
16 the enactment of the Clean Air Act Amendments of
17 1990.”.

18 **SEC. 106. MOTOR VEHICLE INSPECTION AND MAINTENANCE.**
19

20 (a) FINDINGS AND PURPOSE.—

21 (1) FINDINGS.—Congress finds that, in carry-
22 ing out title I of the Clean Air Act (42 U.S.C. 7401
23 et seq.), the Administrator of Environmental Protec-
24 tion Agency has failed to—

1 (A) recognize the intent of Congress to
 2 allow States to design and implement vehicle in-
 3 spection and maintenance programs that fit
 4 their specific needs; and

5 (B) allow States the opportunity to up-
 6 grade existing programs and prove the effective-
 7 ness of such programs.

8 (2) PURPOSE.—The purpose of this section is
 9 to require the Administrator to—

10 (A) follow new guidelines clearly stated by
 11 Congress; and

12 (B) issue new regulations governing in-
 13 spection and maintenance programs that—

14 (i) allow States to operate decentral-
 15 ized test and repair programs; and

16 (ii) allow States to fairly prove pro-
 17 gram effectiveness based on performance.

18 (b) IMPLEMENTATION OF ENHANCED VEHICLE IN-
 19 SPECTION PROGRAMS.—

20 (1) MINIMUM STANDARDS REDEFINED.—Sec-
 21 tion 182(c)(3)(C) of the Clean Air Act (42 U.S.C.
 22 7511a(c)(3)(C)) is amended by striking subpara-
 23 graph (C) and inserting in lieu thereof the following:

24 “(C) STATE PROGRAM.—The State pro-
 25 gram required under subparagraph (A) shall in-

1 clude, at a minimum, each of the following ele-
2 ments:

3 “(i) Computerized emission analyzers,
4 including on-road testing devices.

5 “(ii) No waivers for vehicles and parts
6 covered by the emission control perform-
7 ance warranty as provided for in section
8 207(b) (42 U.S.C. 7541(b)) unless a war-
9 ranty remedy has been denied in writing,
10 or for tampering-related repairs.

11 “(iii) In view of the air quality pur-
12 pose of the program, if, for any vehicle,
13 waivers are permitted for emissions-related
14 repairs not covered by warranty, the mini-
15 mum expenditure shall be: at least \$300
16 and beginning January 1, 1998 a mini-
17 mum of \$450, and at least \$75 for pre-
18 1981 model year vehicles (adjusted annu-
19 ally as determined by the Administrator on
20 the basis of the Consumer Price Index in
21 the same manner as provided in title V. A
22 State may elect to implement a waiver or
23 assisted repair program for the elderly,
24 handicapped, and low income individuals.

1 “(iv) Enforcement through denial of
2 vehicle registration or safety inspection
3 sticker.

4 “(v) Annual emission testing and nec-
5 essary adjustment, repair, and mainte-
6 nance.

7 “(vi) Operation of the program on a
8 centralized basis. However, an electroni-
9 cally connected testing system, a licensing
10 system, or other measures (or any com-
11 bination thereof) may be considered as
12 centralized.

13 “(vii) Inspection of emission control
14 diagnostic systems and the maintenance or
15 repair of malfunctions or system deteriora-
16 tion identified by or affecting such
17 diagnostics systems. The vehicle manufac-
18 turer shall make available relevant data
19 and repair procedures to certified emission
20 testing and certified emission repair facili-
21 ties via electronic data transfer or other
22 means.

23 “(viii) Each State shall biannually
24 prepare a report to the Administrator
25 which assesses the emission reductions

1 achieved by the program required under
2 this paragraph based on data collected
3 during inspection and repair of vehicles.
4 The methods used to assess the emission
5 reductions shall be those established by the
6 State and may include data collected
7 through remote sensing, out-of-cycle test-
8 ing and pilot programs (as described in
9 clause (xi) of this section).

10 “(ix) The Administrator shall not re-
11 quire any area or county in attainment to
12 implement enhanced testing. However, the
13 State may require emission testing, remote
14 sensing testing, or pilot programs for a
15 county or that portion of a county or re-
16 gion if a significant number of vehicles
17 registered in that county or region or por-
18 tion thereof are operated daily in a non-
19 attainment county or region of a State.

20 “(x) The State shall implement
21 through and in cooperation with private in-
22 dustry, foundations, educational institu-
23 tions and citizens, the following: I/M re-
24 view committees, public education pro-
25 grams concerning vehicle maintenance, re-

1 pair and proper disposal of associated
2 motor vehicle wastes, emission inspector
3 certification training programs with writ-
4 ten and hands-on testing, and certified
5 technician training. Congress shall appro-
6 priate through the Environmental Protec-
7 tion Agency, funding to the States to offset
8 implementation costs of such programs.

9 “(xi) Additional credits may be grant-
10 ed to States which implement pilot pro-
11 grams. Pilot programs may include:

12 “(I) Methods used to help a
13 State assess emission reductions, in-
14 cluding but not limited to out-of-cycle
15 testing, remote sensing, idle, transient
16 testing, or the equivalent.

17 “(II) New and existing partner-
18 ships between point sources and mo-
19 bile sources to promote public edu-
20 cation, assisted repair to offset waiv-
21 ers, voluntary out-of-cycle testing,
22 Mobile Emission Reduction Credit
23 creation and trading, and alternatives
24 to vehicle scrappage.

1 “(III) Testing of various fuel for-
2 mulations and fuel additives to deter-
3 mine emission reduction effectiveness
4 in specific areas.

5 “(xii) Emission testing fees shall be
6 market driven, except for testing centers
7 owned by the State.”.

8 (2) REASSESSMENT OF REGULATIONS.—The
9 Administrator shall immediately rescind the regula-
10 tions of the Administrator set forth in 40 CFR ch.
11 1 subpart s-51.350-end and shall issue new regula-
12 tions in accordance with section 182(c)(3)(C) of the
13 Clean Air Act (42 U.S.C. 7511a(c)(3)(C)) as
14 amended by this Act.

15 **SEC. 107. ATTAINMENT DATE FOR MODERATE OZONE NON-**
16 **ATTAINMENT AREAS.**

17 (a) FINDINGS.—Congress finds that the Environ-
18 mental Protection Agency failed to follow the congres-
19 sional intent by forcing centralized I/M 240 vehicle emis-
20 sions testing in nonattainment areas. States which fol-
21 lowed Environmental Protection Agency guidelines by im-
22 plementing such programs have suffered from public back-
23 lash and have found the programs unworkable in many
24 cases. Legislation recently signed has addressed this prob-
25 lem. However, some areas are now facing ozone attain-

1 ment deadlines that cannot now be met, possibly due to
2 the delay caused by the failure of centralized programs.
3 Therefore, Congress finds it necessary to extend the dead-
4 line for ozone attainment in moderate nonattainment
5 areas.

6 (b) EXTENSION OF PRIMARY STANDARD ATTAIN-
7 MENT DATE FOR MODERATE OZONE NONATTAINMENT
8 AREAS.—Section 181(a) of the Clean Air Act (42 U.S.C.
9 7511(a)(1)) is amended in table I by striking “6 years
10 after enactment” and inserting “8 years after enactment”.

11 **SEC. 108. OZONE EXCEEDENCES IN NONATTAINMENT**
12 **AREAS.**

13 For purposes of the nonattainment provisions of title
14 I of the Clean Air Act, ozone monitor readings shall be
15 averaged over an 8-hour period. An exceedence shall occur
16 if the reading over such a period averages above 0.10ppm
17 at 2 or more monitors in a nonattainment region. A non-
18 attainment region shall be allowed 4 such exceedences over
19 a one-year period.

20 **SEC. 109. REDESIGNATION OF ATTAINMENT AREAS.**

21 (a) FINDINGS.—Congress finds that:

22 (1) The year 1995 was a climatological anom-
23 ally, with data collection revealing unparalleled, fre-
24 quent high temperatures.

1 (2) The frequency and persistence of high tem-
 2 perature days are the most significant factors in
 3 causing ambient ozone air pollution episodes.

4 (b) DISCOUNTING OF ANOMALOUS YEARS HIGH AND
 5 LOW.—For the purpose of redesignation of areas as at-
 6 tainment or nonattainment under the Clean Air Act, a
 7 span of 5 years will be used to establish a baseline trend.
 8 The year with the highest number of exceedences shall be
 9 dropped, as well as the year with the lowest number of
 10 exceedences. The baseline shall be established by the 3 re-
 11 maining years.

12 **TITLE II—ENVIRONMENTAL** 13 **SELF-AUDITS**

14 **SEC. 201. VOLUNTARY ENVIRONMENTAL SELF-AUDITS.**

15 (a) DEFINITIONS.—As used in this section:

16 (1) VOLUNTARY ENVIRONMENTAL SELF-
 17 AUDIT.—The term “voluntary environmental self-
 18 audit” means an assessment, audit, investigation, or
 19 review that is performed by or for a person or entity
 20 to determine whether the person or entity is in com-
 21 pliance with environmental laws, improve such per-
 22 son or entity’s compliance with environmental laws,
 23 or assess the effectiveness of any environmental
 24 management compliance system (or any part there-
 25 of).

1 (2) VOLUNTARY ENVIRONMENTAL SELF-AUDIT
2 REPORT.—The term “voluntary environmental self-
3 audit report” means any report, finding, opinion, or
4 other document or communication relating to a vol-
5 untary environmental self-audit.

6 (b) NONDISCLOSURE PRIVILEGE.—No information
7 contained in any voluntary environmental self-audit re-
8 port, and no testimony relating to a voluntary environ-
9 mental self-audit performed by or on behalf of any entity
10 shall be admissible evidence in any Federal or State ad-
11 ministrative or judicial proceeding under any environ-
12 mental law or environmentally related litigation, or subject
13 to discovery in any such proceeding.

14 (c) IN GENERAL.—No information relating to the
15 violation by any entity of any environmental law that is
16 disclosed by such entity to the Federal or State agency
17 administering such law as a result of a voluntary environ-
18 mental self-audit performed by such entity may be used
19 against such entity or against an officer, employee, or
20 agent of such entity in any Federal or State administra-
21 tive, civil, or criminal negligence proceeding regarding
22 such violation if—

23 (1) such entity (or officer, employee, or agent)
24 ensures that the disclosure is made promptly after
25 receiving knowledge of the information;

1 (2) such entity (or officer, employee, or agent)
2 initiates efforts to achieve compliance with the law
3 within a reasonable period of time in a manner con-
4 sistent with applicable provisions of law;

5 (3) such entity (or officer, employee, or agent)
6 is not asserting the applicability of the immunity
7 under this subsection for a fraudulent purpose;

8 (4) such information is not disclosed for the
9 purpose of avoiding penalties in an investigative, ad-
10 ministrative, or judicial proceeding that, at the time
11 of disclosure, was in progress; or

12 (5) such entity (or officer, employee, or agent)
13 discloses such other information relating to the vio-
14 lation as the agency concerned requests, other than
15 information subject to a nondisclosure privilege
16 under any authority of law.

17 (d) EXCLUSIONS.—The immunity under subsection
18 (b) shall not apply to information with respect to an inten-
19 tional or willful violation of an environmental law or any
20 violation of any such law which knowingly endangers the
21 health or safety of any individual.

1 **TITLE III—REGULATION OF**
2 **CHLORINE COMPOUND PRO-**
3 **DUCTION**

4 **SEC. 301. BROAD BANNING OF CHLORINE COMPOUNDS**
5 **PROHIBITED.**

6 Notwithstanding any provision of title VI of the Clean
7 Air Act or any other authority of law, the Administrator
8 of the Environmental Protection Agency shall not take any
9 action or prohibit the manufacture, use, or distribution in
10 commerce of chlorine compounds in the absence of a spe-
11 cific authorization by Congress, enacted into law after the
12 submission to Congress of the proposed regulation.

13 **TITLE IV—AMENDMENT OF THE**
14 **SOLID WASTE DISPOSAL ACT**

15 **SEC. 401. RECYCLING OF CERTAIN MATERIALS AS MANU-**
16 **FACTURING FEEDSTOCKS.**

17 Section 1004(5) of the Solid Waste Disposal Act is
18 amended by adding the following at the end thereof: “The
19 term ‘hazardous waste’ shall not include any solid waste
20 that is used as a feedstock in any manufacturing process
21 unless such waste is stored after generation and prior to
22 such use for a period in excess of 90 days, or is trans-
23 ported for a distance of more than 25 miles.”.

1 **TITLE V—AMENDMENT OF THE**
2 **INTERNAL REVENUE CODE**
3 **OF 1986**

4 **SEC. 501. INTANGIBLE DRILLING COSTS INCLUDE GEO-**
5 **LOGICAL AND GEOPHYSICAL COSTS.**

6 (a) IN GENERAL.—Subsection (c) of section 263 of
7 the Internal Revenue Code of 1986 (relating to intangible
8 drilling and development costs in the case of oil and gas
9 wells and geothermal wells) is amended by inserting before
10 the last sentence the following new sentence: “In the case
11 of oil and gas wells, the tax treatment under this sub-
12 section which applies to the taxpayers intangible drilling
13 and development costs shall also apply to geological and
14 geophysical costs for the purposes of ascertaining the ex-
15 istence, location, extent or quality of any deposit of oil or
16 gas within the United States (within the meaning of sec-
17 tion 638).”.

18 **SEC. 502. EXPANDED DEFINITION OF MARGINAL PRODUC-**
19 **TION.**

20 (a) IN GENERAL.—Subparagraph (E) of section
21 613A(c)(6) of the Internal Revenue Code of 1986 (defin-
22 ing stripper well property) is amended by adding at the
23 end the following new sentence: “The preceding sentence
24 shall be applied by substituting ‘25’ for ‘15’ with respect

1 to any well which produces water at a rate not less than
 2 95 percent of total well effluent.”.

3 (b) EFFECTIVE DATE.—The amendment made by
 4 subsection (a) shall apply to production in calendar years
 5 beginning after the date of the enactment of this Act.

6 **SEC. 503. TAX RELIEF FOR MARGINAL DOMESTIC OIL AND**
 7 **GAS PRODUCTION.**

8 (a) CREDIT FOR PRODUCING OIL AND GAS FROM
 9 MARGINAL WELLS.—Subpart D of part IV of subchapter
 10 A of chapter I of the Internal Revenue Code of 1986 (re-
 11 lating to business credits) is amended by adding at the
 12 end the following new section:

13 **“SEC. 45C. CREDIT FOR PRODUCING OIL AND GAS FROM**
 14 **MARGINAL WELLS.**

15 “(a) GENERAL RULE.—For purposes of section 38,
 16 the marginal well production credit for any taxable year
 17 in an amount equal to the product of—

18 “(1) the credit amount, and

19 “(2) the qualified crude oil production and the
 20 qualified natural gas production which is attrib-
 21 utable to the taxpayer.

22 “(b) CREDIT AMOUNT.—For purposes of this sec-
 23 tion—

24 “(1) IN GENERAL.—The credit amount is—

1 “(A) \$3 per barrel of qualified crude oil
2 production, and

3 “(B) 50 cents per 1,000 cubic feet of
4 qualified natural gas production.

5 “(2) REDUCTION AS OIL AND GAS PRICES IN-
6 CREASE.—

7 “(A) IN GENERAL.—The \$3 and 50 cents
8 amounts under paragraph (1) shall each be re-
9 duced (but not below zero) by an amount which
10 bears the same ratio to such amount (deter-
11 mined without regard to this paragraph) as—

12 “(i) the amount by which the ref-
13 erence price for the calendar year preced-
14 ing the calendar year in which the taxable
15 year begins exceeds \$17 (\$2.50 for quali-
16 fied natural gas production), bears to

17 “(ii) \$8 (\$1 for qualified natural gas
18 production).

19 “(B) INFLATION ADJUSTMENT.—In the
20 case of any taxable year beginning in a calendar
21 year after 1995, each of the dollar amounts
22 contained in subparagraph (A) shall be in-
23 creased to an amount equal to such dollar
24 amount multiplied by the inflation adjustment
25 factor for such calendar year (determined under

1 section 43(c)(3)(B) by substituting ‘1994’ for
2 ‘1990’).

3 “(C) REFERENCE PRICE.—For purposes of
4 this paragraph, the term reference price means
5 with respect to any calendar year—

6 “(i) in the case of qualified crude oil
7 production, the reference price determined
8 under section 29(d)(2)(C), and

9 “(ii) in the case of qualified natural
10 gas production, the Secretary’s estimate of
11 the annual average wellhead price per
12 1,000 cubic feet for all domestic natural
13 gas.

14 “(c) QUALIFIED CRUDE OIL AND NATURAL GAS
15 PRODUCTION.—For purposes of this section—

16 “(1) IN GENERAL.—The terms ‘qualified crude
17 oil production’ and ‘qualified natural gas production’
18 mean domestic crude oil or natural gas which is pro-
19 duced from a marginal well.

20 “(2) LIMITATION ON AMOUNT OF PRODUCTION
21 WHICH MAY QUALIFY.—

22 “(A) IN GENERAL.—Crude oil or natural
23 gas produced during any taxable year from any
24 well shall not be treated as qualified crude oil
25 production or qualified natural gas production

1 to the extent production from the well during
2 the taxable year exceeds—

3 “(i) 1,095 barrels in the case of crude
4 oil, and

5 “(ii) 25,000 cubic feet in the case of
6 natural gas.

7 “(B) PROPORTIONATE REDUCTIONS.—

8 “(i) SHORT TAXABLE YEARS.—In the
9 case of a short taxable year, the limitations
10 under this paragraph shall be proportion-
11 ately reduced to reflect the ratio which the
12 number of days in the year bears to 365.

13 “(ii) WELLS NOT IN PRODUCTION EN-
14 TIRE YEAR.—In the case of a well which is
15 not capable of production during each day
16 of a taxable year, the limitations under
17 this paragraph applicable to the well shall
18 be proportionately reduced to reflect the
19 ratio which the number of days of produc-
20 tion bears to the total number of days in
21 the taxable year.

22 “(3) DEFINITIONS.—

23 “(A) MARGINAL WELL.—The term ‘mar-
24 ginal well’ means a domestic well—

1 “(i) the production from which during
2 the taxable year is treated as marginal
3 production under section 613A(c)(6), or

4 “(ii) which, during the taxable year—

5 “(I) has average daily production
6 of not more than 25 barrel equiva-
7 lents, and

8 “(II) produces water at a rate
9 not less than 95 percent of total well
10 effluent.

11 “(B) CRUDE OIL, ETC.—The terms ‘crude
12 oil’, ‘natural gas’, ‘domestic’, and ‘barrel’ have
13 the meanings given such terms by section
14 613A(e).

15 “(C) BARREL EQUIVALENT.—The term
16 ‘barrel equivalent’ means with respect to natu-
17 ral gas, a conversion ratio of 6,000 cubic feet
18 of natural gas to 1 barrel of crude oil.

19 “(d) OTHER RULES.—

20 “(1) PRODUCTION ATTRIBUTABLE TO THE TAX-
21 PAYER.—In the case of a marginal well in which
22 there is more than one owner of operating interests
23 in the well and the crude oil or natural gas produc-
24 tion exceeds the limitation under subsection (c)(2),
25 qualifying crude oil production or qualifying natural

1 gas production attributable to the taxpayer shall be
 2 determined on the basis of the ratio which taxpayers
 3 revenue interest in the production bears to the ag-
 4 gregate of the revenue interests of all operating in-
 5 terest owners in the production.

6 “(2) OPERATING INTEREST REQUIRED.—Any
 7 credit under this section may be claimed only on
 8 production which is attributable to the holder of an
 9 operating interest as defined in section 614(d).

10 “(3) PRODUCTION FROM NONCONVENTIONAL
 11 SOURCES EXCLUDED.—In the case of production
 12 from a marginal well which is eligible for the credit
 13 allowed under section 29 for the taxable year, no
 14 credit shall be allowable under this section unless
 15 the taxpayer elects not to claim the credit under sec-
 16 tion 29 with respect to the well.”

17 (b) CREDIT TREATED AS BUSINESS CREDIT.—Sec-
 18 tion 38(b) of such Code is amended by striking “plus”
 19 at the end of paragraph (10), by striking the period at
 20 the end of paragraph (11) and inserting “, plus”, and by
 21 adding at the end the following new paragraph:

22 “(12) the marginal oil and gas well production
 23 credit determined under section 45C(a).”

24 (c) CREDIT ALLOWED AGAINST REGULAR AND MINI-
 25 MUM TAX.—

1 (1) IN GENERAL.—Subsection (c) of section 38
 2 of such Code (relating to limitation based on amount
 3 of tax) is amended by redesignating paragraph (3)
 4 as paragraph (4) and by inserting after paragraph
 5 (2) the following new paragraph:

6 “(3) SPECIAL RULES FOR OIL AND GAS PRO-
 7 DUCTION CREDIT.—

8 “(A) IN GENERAL.—In the case of the oil
 9 and gas production credit—

10 “(i) this section and section 39 shall
 11 be applied separately with respect to the
 12 credit, and

13 “(ii) in applying paragraph (1) to the
 14 credit—

15 “(I) subparagraph (A) shall not
 16 apply, and

17 “(II) the limitation under para-
 18 graph (1) (as modified by subclause
 19 (I)) shall be reduced by the credit al-
 20 lowed under subsection (a) for the
 21 taxable year (other than the oil and
 22 gas production credit).

23 “(B) OIL AND GAS PRODUCTION CRED-
 24 IT.—For purposes of this subsection, the term
 25 ‘oil and gas production credit’ means the credit

1 allowable under subsection (a) by reason of sec-
 2 tion 45C(a).”

3 (2) CONFORMING AMENDMENT.—Subclause (II)
 4 of section 38(c)(2)(A)(ii) of such Code is amended
 5 by inserting “or the oil and gas production credit”
 6 after “employment credit”.

7 (d) COORDINATION WITH SECTION 29.—Section
 8 29(a) of such Code is amended by striking “There” and
 9 inserting “At the election of the taxpayer, there”.

10 (e) CLERICAL AMENDMENT.—The table of sections
 11 for subpart D of part IV of subchapter A of chapter I
 12 of such Code is amended by adding at the end the follow-
 13 ing item:

“SEC. 45C. Credit for producing oil and gas from marginal
 wells.”

14 (f) EFFECTIVE DATE.—The amendments made by
 15 this section shall apply to production after the date of the
 16 enactment of this Act.

17 **SEC. 504. REPEAL OF ANNUAL INCREASE IN TAX ON OZONE-**
 18 **DEPLETING CHEMICALS.**

19 (a) IN GENERAL.—Paragraph (1) of section 4681(b)
 20 of the Internal Revenue Code of 1986 (relating to amount
 21 of tax) is amended by striking subparagraphs (B) and (C)
 22 and by inserting after subparagraph (A) the following new
 23 subparagraph:

1 “(B) BASE AMOUNT.—The base amount is
2 \$5.80.”

3 (b) EFFECTIVE DATE.—The amendment made by
4 subsection (a) shall take effect on January 1, 1997.

5 **SEC. 505. REDUCTION IN RATE OF TAX ON CERTAIN REFOR-**
6 **MULATED GASOLINE.**

7 (a) IN GENERAL.—Subparagraph (A) of section
8 4081(a)(2) of the Internal Revenue Code of 1986 (relating
9 to rate of tax on gasoline) is amended by—

10 (1) by inserting “(15.3 cents per gallon in the
11 case of qualified reformulated gasoline)” before the
12 comma at the end of clause (i), and

13 (2) by adding at the end the following flush
14 sentence:

15 “For purposes of clause (i), the term ‘qualified
16 reformulated gasoline’ means reformulated gas-
17 oline that meets the requirements of section
18 211(k) of the Clean Air Act and has at least a
19 2 percent oxygen content (by weight).”

20 (b) CREDIT OR REFUND FOR GASOLINE USED TO
21 MAKE REFORMULATED GASOLINE.—

22 (1) Section 6427 of such Code is amended by
23 inserting after subsection (l) the following new sub-
24 section:

1 “(m) GASOLINE USED TO PRODUCE QUALIFIED RE-
2 FORMULATED GASOLINE.—

3 “(1) IN GENERAL.—Except as provided in sub-
4 section (k), if any gasoline on which tax was im-
5 posed by section 4081 at the rate of tax specified in
6 section 4081(a)(2)(A)(i) (other than as qualified re-
7 formulated gasoline) is used by any person in pro-
8 ducing qualified reformulated gasoline which is sold
9 or used in such person’s trade or business, the Sec-
10 retary shall pay (without interest) to such person an
11 amount equal to 3 cents per gallon of the gasoline
12 so used.

13 “(2) QUALIFIED REFORMULATED GASOLINE.—
14 For purposes of paragraph (1), the term ‘qualified
15 reformulated gasoline’ means reformulated gasoline
16 that meets the requirements of section 211(k) of the
17 Clean Air Act and has at least a 2 percent oxygen
18 content (by weight).”.

19 “(3) COORDINATION WITH OTHER REPAYMENT
20 PROVISIONS.—No amount shall be payable under
21 paragraph (1) with respect to gasoline with respect
22 to which an amount is payable under subsection (d),
23 (e), or (l) of this section or under section 6420 or
24 6421.”

1 (2) Paragraph (1) of section 6427(i) of such
2 Code is amended by striking “(l), or (q)” and insert-
3 ing “(q), (l), or (m)”.

4 (c) EFFECTIVE DATE.—The amendments made by
5 this section shall take effect on January 1, 1997.

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